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Limitations on the Effectiveness on Western Policy toward Eastern Europe

Moscow's leverage over its allies is a major obstacle to Western efforts to woo or influence Eastern Europe.

- Long-standing Soviet policy places a high priority on control over Eastern Europe.
- Minimum behavior by the East Europeans acceptable to Moscow includes:
 - Membership in the Warsaw Pact and CEMA;
 - Communist party rule;
 - Adherence to Moscow's foreign policy line;
- East European maneuvering room outside these constraints varies somewhat from country to country and over time.
- Western opportunities to encourage liberalization generally are limited to areas and issues where the Soviets allow some flexibility.
- Strong economic ties afford Moscow almost life-and-death power to achieve its goal of control over Eastern Europe.
- To all of the countries except Romania, Soviet supplies of oil and other raw materials are vital.

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- The East European economies¹ are generally small and heavily dependent on foreign trade, and as much as 55 percent (Bulgaria and Czechoslovakia) of their trade is with the USSR.
- Alternatives to Soviet supplies are limited sharply by East European inability to pay hard currency.
- The surge in oil prices in the 1970s shifted terms of trade dramatically in Moscow's favor, in effect increasing the USSR's economic claims on Eastern Europe.
- Much of East European industrial capacity is devoted to supplying manufactured goods to the Soviet market.
- The Soviets appear to be in a new phase of economic assertiveness toward Eastern Europe.
- Moscow responded with a circle-the-wagons approach in the early 1980s to the Polish crisis, Eastern Europe's debt woes, and Western sanctions.
- Soviet rhetoric, particularly in 1982-83, warned its junior partners about the dangers of over-reliance on Western trade and credits.
- The first CEMA summit in 15 years convened in Moscow a year ago to attempt to inject new life into CEMA integration.

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- The USSR has initiated a series of bilateral agreements with each of the CEMA countries to guide cooperation in economics, science, and technology through the year 2000.
- Moscow finally seems serious about redressing the imbalances of the 1970s which gave substantial economic assistance to Eastern Europe.
- Oil deliveries to Eastern Europe were cut 10 percent in 1982.
- Oil prices in CEMA have at least caught up with OPEC prices
- Eastern Europe has narrowed its trade gap with the USSR since the early 1980s, mainly by boosting exports.
- Early indications for the 1986-90 period are that Moscow is taking hard line on energy supplies and insisting that the East Europeans invest in Soviet resource development and provide more high quality consumer goods, food, and equipment.
- Recent Soviet toughness appears motivated by the desire to reduce the economic drain of Eastern Europe on the Soviet economy, but it also may have the effect of contraining the East Europeans' relations with the West.
- East European economic managers will need to

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devote resources and concentration to meeting Moscow's needs rather than to improving competitiveness in Western markets.

-- Some caveats:

-- The desire of most East European countries for trade with the West seem undiminished by disappointments and Soviet suspicion.

-- Soviet rhetoric against trade with the West has softened in the past year or so.

-- The June 1984 CEMA summit statement included a cautiously favorable endorsement of trade with the West.

-- Moscow may be conceding that Eastern Europe's ability to meet Soviet economic needs--particularly in technology--will require Western imports.

-- CEMA is reviving its effort to establish relations with the EC.

-- The latest Soviet push for integration resembles previous efforts that have fallen short.

-- The Soviets have allowed--probably grudgingly--Budapest's and Warsaw's applications to the IMF.

-- The East Europeans, especially Hungary, have been free to diverge somewhat from Soviet-style central planning.

-- The Soviets generally refrain from direct use of

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their economic leverage, but the East Europeans are always aware that it is there.

- Moscow understands Western motives in relations with Eastern Europe.
- The Soviets monitor closely their allies' dealings with the West.
- The cancellation of the Honecker visit last summer is a good example that political concessions by an East European country in return for economic benefits are not acceptable to the Kremlin.

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